

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6056

BILL NUMBER: HB 1347

NOTE PREPARED: Nov 4, 2002

BILL AMENDED:

SUBJECT: Judges' COLA.

FIRST AUTHOR: Rep. Kromkowski

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill increases the monthly benefit payable to participants, survivors, and beneficiaries under the 1985 Benefit System of the Judges' Retirement Fund by the same percentages and under the same conditions as the monthly benefit is increased for members of the Public Employees' Retirement Fund (PERF). (The introduced version of this bill was prepared by the Pension Management Oversight Commission.)

Effective Date: July 1, 2003.

Explanation of State Expenditures: This provision provides a cost-of-living adjustment (COLA) for judges. The following illustrates the increase in recommended annual contribution to be paid by the state over the next five years (based on a projection of benefit payouts).

<u>Plan Year</u>	<u>Increase in Recommended Contribution</u>
2003-2004	\$73,272
2004-2005	77,668
2005-2006	82,329
2006-2007	87,268
2007-2008	<u>91,678</u>
Total	\$412,215

This bill would affect only those participants under the 1985 Judges' Retirement System. The increase in unfunded liabilities would be approximately \$8,800,000. The fund affected is the State General Fund. The

Judges' Retirement System is a pay-as-you-go system.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: PERF as administrators of the Judges' Retirement System.

Local Agencies Affected:

Information Sources: Doug Todd of McCready & Keene, Inc., actuaries for PERF, the Judges' Retirement System, 576-1508.

Fiscal Analyst: James Sperlik, 317-232-9866

DEFINITIONS

Cost of Living Adjustment (COLA) An across-the-board increase (decrease) in wages or pension benefits according to the rise (or fall) in the cost of living as measured by some index, often the Consumer Price Index (CPI).

Pay-As-You-Go Method--The Pay-As-You-Go Method, sometimes called current disbursement cost method, is a method of recognizing the costs of a retirement system only as benefits are paid.

Unfunded Actuarial Liability (sometimes called the unfunded liability) of a retirement system at any time is the excess of its actuarial liability at that time over the value of its cash and investments.

Actuarial Cost - a cost used to associate the costs of benefits under a retirement system with the approximate time the benefits are earned.